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THE *Demand and Price* SITUATION

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SUMMARY

Crop prices continue to decline under the impact of the greatest crop production in history but are being offset by advancing prices for livestock and livestock products. The general level of prices received by farmers in mid-August was only 5 percent below the record of mid-January, although prices received for crops have declined 17 percent in that period.

The general all-commodity price level, as measured by the BLS index of wholesale prices, is at a new record and continues to move up. Industrial production continues to show marked stability at a high level and increasing employment and wage rates are being reflected in substantially larger consumer incomes.

Recent surveys indicate that two important areas of economic activity are likely to remain exceptionally strong through 1948. Residential construction will probably set records in both physical volume and value. Capital expenditures for plant and equipment are exceeding last year's record by a wide margin.

Commodity highlights

Prices of new crop wheat in late August were still generally below loan rates although prices strengthened as the storage situation improved. As a result of the record corn crop in prospect, corn prices are expected to decline much more than seasonally during the next few months and probably will be close to support levels by the end of the year. In mid-August cotton prices at the farm level were above support levels but were below parity for the first time in more than 3 years reflecting the unusually large cotton crop and smaller than expected exports financed under the E. C. A. in recent months. Sharply improved dairy product-feed price relationships will tend to slow down the decline in milk cow numbers during the remainder of 1948. The record feed crops may temporarily restrict meat production this fall as more animals are held back for feeding. Prices of meat animals and dairy products continue near record levels.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base Period	1947			1948		
		Year	July	Apr.	May	June	July
Industrial production <u>1/</u>	1935-39						
Total.....	= 100	187	176	188	192	192	187
All manufactures.....	do.	194	183	195	197	198	193
Durable goods.....	do.	220	207	217	221	222	220
Nondurable goods.....	do.	172	163	177	178	179	172
Minerals.....	do.	149	140	147	162	159	154
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	= 100	274	270	315	328	350	
Contracts, residential.....	do.	348	333	377	404	434	
Wholesale prices <u>2/</u>	1926=100						
All commodities.....		152	151	163	164	166	169
All commodities except farm and food.....	do.	135	134	149	149	150	151
Farm products.....	do.	181	181	187	189	196	195
Food.....	do.	169	167	177	177	181	188
Prices received and paid by farmers <u>3/</u>	1910-14 = 100						
Prices received, all prod....	do.	278	276	291	289	295	301
Prices paid, int. & taxes....	do.	231	230	249	250	251	251
Parity ratio.....	do.	120	120	117	116	118	120
Consumers' price <u>5/ 6/</u>	1935-39						
Total.....	= 100	159	158	169	170	172	174
Food.....	do.	194	193	208	211	214	217
Nonfood.....	do.	140	139	148	148	148	150
Income							
Nonagricultural payments <u>4/</u>	Bil. dol.	174.9	172.9	183.7	184.4	187.1	
Income of industrial work- ers <u>3/</u>	1935-39 = 100	333	322	341	349	364	
Factory payrolls <u>5/</u>	do.	353	343	369	369	376	
Weekly earnings of factory workers <u>5/</u>							
All manufacturing.....	Dollars	49.26	48.98	51.71	51.76	52.81	
Durable goods.....	do.	52.47	52.19	54.87	54.65	56.14	
Nondurable goods.....	do.	45.87	45.61	48.26	48.61	49.29	
Employment							
Total civilian <u>7/</u>	Millions	58.0	60.1	58.3	58.7	61.3	61.6
Nonagricultural <u>7/</u>	do.	49.8	50.0	50.8	51.9	51.9	52.5
Agricultural <u>7/</u>	do.	8.3	10.1	7.4	7.9	9.4	9.2
Government finance (Fed.) <u>8/</u>	Mil. dol.						
Income, cash operating.....	do.	3,906	2,564	2,960	3,330	5,100	
Outgo, cash operating.....	do.	3,428	3,390	2,956	2,868	4,335	
Net cash opr. income or outgo	do.	+ 478	- 827	4	462	765	

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

OUTPUT AND EMPLOYMENT

The seasonally adjusted F.R.B. index of total industrial production declined in July reflecting in large part, (1) vacation shutdowns in non-durable industries and in mining, for which full allowance has not been made in the present seasonal factors used in compiling the Federal Reserve Board's seasonally adjusted index and (2) labor-management disputes and material shortages. At 187 (1935-39=100), the index was 5 points below June, 7 points below the record of February, but 9 points above July 1947. Total output during the first seven months of 1948 has been stable, ranging from a low of 187 in July to a peacetime high of 194 in February.

Durable goods production in July was 220, only 2 points below June but 13 points above July 1947. A new postwar peak rate of motor vehicle output did not quite offset the slight declines in most other durable goods and the 3 percent decline in daily average steel output resulting from the work stoppage in bituminous coal mines operated by the steel industry.

The seasonally adjusted index of nondurable goods production declined 7 points in July to 172 as a result of vacation shutdowns in many nondurable industries. The index a year ago was 163. The decline in activity in textile industries was particularly sharp and reflected reduced operations resulting from vacation shutdowns. Activity in the paperboard products, petroleum and manufactured food industries also declined somewhat.

Industrial production advanced slightly in early August and for the month as a whole is likely to average higher than in July.

Total civilian employment in July increased to a new high of 61.6 million persons, 300,000 greater than the previous high of June and 1.5 million larger than a year earlier. All of the increase from May occurred in nonagricultural industries where a substantial number of temporary seasonal workers were employed.

A seasonal rise in the labor force, offset the increase in overall employment, and unemployment was practically unchanged from June at about 2.2 million persons. Many of the unemployed were young persons looking for summer jobs. Unemployment in July was approximately 400,000 fewer than a year ago.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income increased to a new high of 211.9 billion dollars in June, 4.7 billions greater than in May and 2.5 billions above the previous high of January 1948. The annual rate of personal income in June was almost 20 billion dollars greater than a year ago. Almost all of the increase from May reflected

a rise in factory pay rolls and employment, settlement of labor-management disputes and higher prices received by farmers for livestock and livestock products. For the first half of 1948, the flow of personal income was at an annual rate of 208.1 billion dollars compared with 190.3 billions for the first half of 1947. A further advance in July is indicated by increased employment and higher wage rates.

Total salary and wage receipts also rose to a new high in June, reaching an annual rate of 129.1 billion dollars, 2.3 billions greater than May, 1.6 billions larger than the previous high of January 1948, and 9.5 billions above June 1947. Increases in factory pay rolls resulting from "third round" wage increases, higher employment and a longer work week accounted for most of the rise in the total, although pay rolls in construction, trade and Government also increased somewhat. For the first six months of 1948, total salary and wage receipts were at an annual rate of 126.8 billion dollars, 9.5 billions above the rate for the first half of 1947.

Dollar sales at department stores continue high. July sales, adjusted for seasonal variations, were 312 (1935-39=100), about the same as in June and 9 percent above July 1947. The gain over a year ago is more a reflection of higher prices than increased physical volume of goods sold.

RESIDENTIAL CONSTRUCTION AND BUSINESS CAPITAL OUTLAYS

Two strong forces contributing to the high economic activity in the nation are the boom in residential construction and the marked expansion in business expenditures for plant and equipment. According to recent reports, there is little indication that either will weaken during the remainder of 1948.

Expenditures for new residential building (nonfarm) in the first half of 1948 totaled 3.1 billion dollars, 60 percent above the 1.9 billions for the first 6 months of 1947. For the year as a whole, joint estimates of the Bureau of Labor Statistics and the Office of Domestic Commerce indicate a total expenditure of 7.1 billion dollars compared with 5.3 billions in 1947 and 2.1 billions in 1939. Nonfarm dwelling units started in 1948 are expected to total about 950,000 compared with 670,500 last year and 515,000 in 1939. The record of 937,000 Units started was made in 1925.

Business expenditures on plant and equipment also are expected to set a new record in 1948. According to a survey conducted in early 1948 by the U. S. Department of Commerce and the Securities and Exchange Commission, business planned to spend 18.6 billion dollars in 1948 compared with 16.2 billions in 1947 and 5.2 billions in 1939. More recent surveys on actual expenditures in the first quarter of 1948 and estimates of those in the second and third appear to support the earlier figure.

Although total business outlays in the current quarter probably are continuing near first half levels, some trends are noteworthy. Capital outlays by manufacturers in the third quarter probably will be slightly below those of the second while outlays by railroads and electric and gas utilities probably will be higher.

COMMODITY PRICES

The general rise in commodity prices continued in July and August. The monthly BLS index of wholesale prices rose from 166 (1926=100) in June to 169 in July, exceeding the previous record of 167 set in May 1920. A further advance occurred in August, primarily because of price increases in metals and metal products and in building materials. No weakening in these prices is likely in the near future in view of the impact of increasing defense expenditures and the exceptionally high levels of construction activity and business capital outlays for equipment.

Table 1.- Group indexes of wholesale prices, week ended August 21, 1948, with comparison

Group	(1926=100)				
	Week	Week	Week	Percentage change	
	ended	ended	ended	from	
	August 21, 1948	July 24, 1948	August 23, 1947	Week ended: July 24, 1948	Week ended: August 23, 1947
All commodities	169.2	168.2	153.5	+ .6	+ 10.2
Farm products	191.0	194.6	181.4	- 1.8	+ 5.3
Foods	189.5	190.4	172.3	- .5	+ 10.0
Hides and leather products	189.6	189.5	182.3	+ .1	+ 4.0
Textile products	148.0	148.1	140.1	- .1	+ 5.6
Fuel and lighting materials	137.3	136.6	114.0	+ .5	+ 20.4
Metal and products	171.5	160.9	147.0	+ 6.6	+ 16.7
Building materials	202.0	198.0	179.1	+ 2.0	+ 12.8
Chemicals and allied products	131.7	132.9	117.4	- .9	+ 12.2
House furnishings	146.8	145.9	131.9	+ .6	+ 11.3
All other than farm and food	153.1	150.6	136.6	+ 1.7	+ 12.1

As shown in table 1, each group of the BLS weekly index of wholesale prices is higher than a year ago, with the all commodities index 10 percent higher. The largest percentage increases have occurred in fuel and lighting materials, metals and metal products, and building materials.

Although crop prices received by farmers have declined substantially under the impact of prospects for the largest crop production in history, advancing prices for livestock and livestock products have maintained the over-all level relatively stable in recent months. The BAL index of prices received by farmers on August 15 was 293 (1909-14=100) compared with 301 in July and the peak of 307 reached in mid-January. Since January, all crop prices have declined 17 percent with food grains down 30 percent, feed grains and hay 26 percent, oil-bearing crops 18 percent and cotton 8 percent. However, prices of livestock and livestock products have advanced 5 percent since January, with meat animal prices up 8 percent. Further declines in crops, particularly corn, may be largely offset by some seasonal advances in livestock products during the next two months.

Prices received by farmers on August 15 averaged 6 percent higher than a year ago (Table 2). Crops averaged 7 percent lower but livestock and products were up 17 percent. Prices of meat animals and dairy products have advanced 18 percent. Supplies of these commodities this year are smaller than last year.

Table 2.- Group indexes of prices received by farmers
August 15, 1948 with comparisons

(August 1909-July 1914=100)

Group				Percentage change	
	August 15, 1948	July 15, 1948	August 15, 1947	July 15, 1948	August 15, 1947
Food grains	227	240	246	-5	-8
Feed grains and hay	235	256	270	-8	-13
Cotton	245	266	267	-8	-8
Tobacco	386	370	383	+4	+1
Oil-bearing crop	310	366	308	-15	+1
Fruit	183	172	177	+6	+3
Truck crops	172	213	211	-19	-18
All crops	236	253	255	-7	-7
Meat animals	411	417	349	-1	+18
Dairy products	305	300	258	+2	+18
Poultry and eggs	247	234	224	+6	+10
Livestock and products	344	344	295	0	+17
Crops and livestock and products	293	301	276	-3	+6

The BAE index of prices paid by farmers, interest, and taxes on August 15, was 251, the same as in July, as lower feed prices offset advances for other commodities. The August level was 7 percent higher than in August 1947. As a result of lower farm product prices the parity ratio--the index of prices received by farmers divided by the index of prices paid, interest, and taxes--moved down 3 points from July to 117, one point lower than in August 1947.

The BLS index of urban consumer prices advanced two more points to 174 (1935-1939=100) in July. This was the third consecutive month that the index set a new record. Indications are that the index continued to move upward in August.

FARM INCOME

Farmers received around 2.5 billion dollars from marketings in August, a little below July. Compared with the same months of last year, cash receipts in both months were about the same.

The total for January-August was 4 percent higher. However, farmers' production costs also are above a year ago. In August, prices paid by farmers for commodities used in production averaged 6 percent above prices paid a year earlier. In the first 8 months of 1948, prices paid averaged 14 percent more than in the same period last year.

August crop receipts were just about the same as the month before but livestock and products were down slightly. Livestock was 12 percent above August last year while crops were 12 percent below a year ago. Prices of crops in August were down from July. Prices of livestock and products, however, were at about the same level as in July. Although crop prices averaged below last August, livestock prices were 17 percent above a year ago and prices of all farm products were about 6 percent higher.

In the first eight months of 1948, farmers received about 17.9 billion dollars from marketings, 4 percent more than last year. Receipts from livestock and products were about 11.2 billion dollars, 10 percent above last year, and crop receipts were around 6.7 billion dollars, 4 percent below a year ago. The volume of marketings was a little below the same period in 1947, but prices averaged about 7 percent higher.

Cash receipts from meat animals in August probably were a little smaller than in July with cattle marketings up slightly but hog marketings down, and prices of meat animals averaging nearly the same as in July. Receipts from dairy and poultry products dropped off a little since milk and egg production declined seasonally. Compared with last year, sales of cattle, calves, sheep and lambs, chickens, eggs, and milk were down, but prices were enough higher to more than offset these declines.

Although total receipts from all crops in August were practically the same as in July, receipts from individual crops showed considerable variation. Sales of wheat were down seasonally and although prices showed little change, receipts declined rather sharply. On the other hand, large marketings of cotton from the new crop increased receipts sharply, and sales of tobacco and flaxseed also increased seasonally.

In the first eight months of 1948, marketings of meat animals were below last year. Sales of cattle, calves, sheep and lambs declined substantially, and hogs were down a little. However, average prices of all kinds of meat animals, except hogs, were up for the first 8 months and prices of meat animals as a whole averaged 12 percent above a year ago. Cash receipts from meat animals in the first eight months were about 8 percent greater than last year.

So far this year, prices of dairy products have averaged 16 percent above last year. Although total milk production has been down a little because of fewer cows, receipts from dairy products were about 14 percent more than in 1947. Poultry receipts from January through August were about 7 percent above last year. Higher receipts from eggs resulting from higher prices were partly offset by lower receipts from chickens because of the smaller number on farms.

Receipts from wheat, cotton, vegetables, and oil-bearing crops were all higher than last year. Smaller corn and tobacco crops of the previous year and lower prices for citrus fruit accounted for smaller receipts from these crops. Prices for wheat, corn, cotton, truck-crops, and peanuts from January-August averaged higher than a year ago.

LIVESTOCK AND MEAT

The index of meat animal prices received by farmers on August 15 held within 6 points of the record of 417 (1909-14-100) set a month earlier. Prices of cattle and lambs declined moderately from the July peaks, but local market prices of hogs rose \$1.20 to an average of \$27.10, only \$0.50 short of the record set last October.

Price movements in August mainly reflected seasonal trends in marketings. Top cattle, seasonally short in supply, held strong. Medium and poorer grades of cattle declined moderately as they usually do at this time of year. Lamb prices also declined seasonally. Hog prices advanced as receipts lightened.

Approximately one-half of pork production in the last few weeks has come from slaughter of sows. While heavy marketing of sows is usual at this time of year, exceptionally heavy runs can indicate a change in plans for fall pigs. Receipts of packing sows at 7 markets in the 12 weeks ended August 21 this year were 5 percent fewer than those at the same time last year, following a spring farrow in which the number of sows was 8 percent below a year earlier. Apparently this was a normal movement,

although lighter marketings in the latter half of this period may indicate a small increase over farmers' earlier plans for fall pigs.

Pork production this fall will continue smaller than last year. Heavy movement of slaughter hogs from the spring pig crop will probably come later than usual. Total pork supplies this winter may be nearly as large as last, even though 3 percent fewer pigs were raised in the spring of 1948 than a year earlier. Added slaughter weights following the large corn harvest will about offset the reductions in the number of pigs together with a reduction in slaughter caused by the withholding of more gilts for breeding.

Cattle slaughter the rest of 1948 also will be down from the same months of 1947. This will be due to the smaller size of the national cattle herd, and to a larger movement of stock to feedlots instead of slaughter. However, supplies of beef the next few months will be held up somewhat by extensive short-feeding operations. Twelve percent fewer cattle were on feed in the Corn Belt August 1, 1948 than a year earlier, but feeders reported that they intended to market a larger percentage of their animals before December 1 this year than last.

Lamb slaughter in remaining months of 1948 also will not reach 1947 levels. The lamb crop of 20.5 millions this year was 8 percent smaller than in 1947 and less than any crop on records going back to 1924. Lamb slaughter in early August, however, was about equal to that a year earlier because of a late movement of lambs from areas that had poor range.

Meat consumption for the latter part of 1948 will run about 10 percent below last year. For all of 1948, it will total approximately 145 pounds per capita compared with 155 pounds in 1947.

Because of the record feed crops, farmers will hold back more animals for feeding than they would if feed crops were average. This will reduce meat supplies this fall but will increase them next winter and spring. But on the whole, the immediate effect of big crops on meat output will be small. Numbers of meat animals can be increased only after considerable time. The first appreciable increase in meat output is not likely to occur before the fall of 1949 when pigs raised in the spring of that year will move to market.

DAIRY PRODUCTS

Numbers of milk cows continued to decline at the 1947 rate through the first half of 1948, marking 4 years of continuous reduction. On June 1, the number of milk cows on farms in the United States was 4 percent smaller than a year earlier. Contributing to the decline of the last 12 months were below average dairy product-feed price relationships and relatively more attractive opportunities for alternative enterprises, particularly

production of meat animals and cash grain. The latter two have affected the size of milk herds most in the main butter area of the country--the West North Central States. The number of milk cows in the area was down 6 percent from a year earlier and 20 percent from the recent peak of mid-1943. Sharply improved dairy product-feed price relationships will tend to slow down the rate of reduction in the remainder of 1948 and the number may stabilize in 1949.

Although the average size of herds is now the smallest since 1938--milk output per cow has increased substantially. Production this year will be around 3 percent under the 119.4 billion pounds of 1947, but will be well above the 1935-39 average of 104 billion pounds. Per capita consumption this year of all major items, except butter will be substantially above prewar even with fairly sizeable exports of milk products. Per capita consumption of butter will be the lowest in at least a century, about 10.2 pounds compared with 17.6 pounds in 1935-39. Consumption of margarine this year will be about 6 pounds per capita compared with a prewar average of 2.9 pounds.

The United States average retail price of milk in mid-July was 13 percent higher than a year earlier. This was somewhat greater than the increase in disposable incomes but total milk production in July was 4 percent less than in July 1947. There were some indications of diversion of milk from fluid uses to manufacturing outlets.

Prices of all major whole milk manufactured products are seasonally higher than in early 1948 and substantially higher than a year earlier. Butter prices, however, declined substantially from mid-July to mid-August. In the third week of August the wholesale price of 92-score butter at Chicago was the lowest since October 1947 and 5 percent lower than a year earlier. Prices of all milk items will tend to advance from present levels until the seasonal low point in milk output is reached next November.

POULTRY AND EGGS

For the remainder of 1948, domestic demand for poultry and eggs is likely to continue strong because of record consumer incomes and smaller red meat supplies than in the same period of 1947. Since a slightly smaller supply will be available prices for chickens and eggs will be somewhat higher than in 1947. Turkey prices are expected to reach a new record, with supplies substantially below those of 1947.

Poultry supplies during the first half of 1948 were maintained at levels about equal to those in early 1947 due to heavier commercial broiler production, heavier culling of laying flocks, and storage withdrawals. Supplies for the balance of 1948 are expected to be reduced below 1947 levels. Farmers are likely to retain a larger proportion of potential laying stock than usual during the coming months. The combination of this factor and the 15 percent decrease in farm chickens raised during 1948 will more than offset the effect of increased commercial-broiler production. As a result, total 1948 supplies of chicken will be somewhat below the 23.4

pounds consumed last year but about one-fourth greater than in 1935-39. About 10 percent fewer turkeys are being raised in 1948 than in 1947. Consequently, total 1948 supplies will be much smaller than the 4.5 pounds per capita consumed in 1947.

The number of layers on farms August 1 was 4 percent smaller than a year earlier. Unfavorable egg feed-price relationships during the early part of 1948 resulted in heavier-than-normal culling. Despite the fact that the rate of culling for the remainder of the year is expected to be lighter, both the number of layers and total egg output are likely to continue smaller than during 1947. However, shell-egg storage stocks were substantially larger on August 1 than a year earlier. Per capita consumption for 1948 will be nearly as large as the 380 eggs consumed in 1947.

FATS, OILS, AND OILSEEDS

The general level of prices of fats and oils in the year beginning October 1948 is likely to be moderately lower than a year earlier as a result of an increased supply.

Bumper crops of cottonseed, soybeans, flaxseed, and peanuts this year are indicated by August 1 crop conditions. The weather this summer has been exceptionally favorable for high yields per acre in nearly all areas where oil-crops are grown. Production of soybeans, estimated at a record 205 million bushels, is 13 percent larger than last year. With cotton lint production estimated to be up 28 percent from last year and the largest since 1937, output of cottonseed also will be large. The 1948 flaxseed crop is estimated to be 44.5 million bushels, 12 percent larger than last year and the second largest of record. Production of peanuts picked and threshed may be 2,341 million pounds, 7 percent larger than in 1947 and the largest of record.

These crops will assure a substantial increase in production of vegetable oils used mainly for food in the year beginning October 1948 and will assure an abundance of linseed oil in relation to the domestic demand at the support price (26.7 cents per pound, Minneapolis basis). Production of animal fats in 1948-49 may decline slightly, mainly because of the 3 percent decrease in the 1948 spring pig crop and the likelihood of a smaller cattle slaughter next fall and winter than a year earlier. These factors probably will be partly offset by feeding of animals to heavier weights than in 1947-48. Some increase in imports of coconut and palm oils is probable as a result of increasing production in the Far East.

CORN AND OTHER FEED

The continuation of very favorable prospects for 1948-49 feed supplies during recent weeks has been accompanied by declining feed prices. In mid-August the index of feed grain prices was 17 percent lower than in June before new crop small grains were available in volume, oilseed meal prices declined by similar amount, while wheat millfeed prices were more than one-third below the June level. Prices of oats, barley and sorghum grains have declined sharply since June and in mid-August farm prices of these grains were below Government support levels in many areas. Corn prices on the other hand had declined only moderately by mid-August and continue high in relation to most other feeds. The price of corn is expected to decline much more than seasonally during the next few months and probably will be close to Government support by the end of the year.

By mid-August livestock-feed price ratios were becoming more favorable to livestock and poultry producers in contrast to the below average ratios that have prevailed during most of the past year. The abundant feed supply in prospect for 1948-49 assures favorable livestock feed price ratios during most of the coming year and will result in very liberal feeding per unit of livestock.

Weather continued unusually favorable for feed grains during July and early August. Total production of the four feed grains was estimated on August 1 to be 133 million tons or 7 percent above the previous record in 1946. A record corn supply of over 3.6 billion bushels is in prospect. The estimated total supply of all feed concentrates--including feed grains, by product feeds and wheat and rye to be fed--for the 1948-49 feeding year is 164 million tons, a little smaller than the previous record supply in 1942, but the largest on record in relation to the number of livestock expected to be fed during the year.

The hay supply in prospect for 1948-49 is a little smaller than the large supplies in recent years, but it will be ample for the fewer hay consuming livestock on farms. Pastures were in better than average condition on August 1.

WHEAT

Prices of new crop wheat are still generally below loan rates, although considerably above the low points reached in early August. On August 27, prices for ordinary protein were about 2 cents below the loan at Kansas City and Minneapolis. On August 2, prices at Kansas City dipped to about 18 cents below the support level.

The rise in prices reflects some improvement in the tight storage situation. The country movement has slowed down. Movement to terminals has opened many local elevators. Terminal congestion has been relieved to some extent by a heavy movement of wheat into export. With prices at loan rates assured, either through loans or purchase agreements, quantities of winter wheat yet to be sold are likely to be limited to those for which adequate storage is not available. In the Spring Wheat area,

farmers are facing conditions similar to those which prevailed in the Southwest. Combining has been delayed because of wet weather, and, in spite of the resulting delay in the movement, the storage situation is becoming acute.

The 1948 crop was estimated at 1,284 million bushels as of August 1, about 40 million bushels more than in July. A crop of this size is second only to the 1,365 million bushels in 1947. With a carry-over July 1, 1948 of 195 million bushels, supplies of domestic wheat total 1,479 million bushels, second only to domestic supplies of 1,501 million bushels in 1942-43 when beginning stocks were a record of 631 million bushels.

Domestic disappearance in 1948-49 may total about 750 million bushels, including 510 million bushels for food, 150 million for feed, and 90 million for seed and alcohol. Out of a total supply of 1,479 million bushels, this would leave 729 million bushels for export and carry-over. A preliminary analysis of supplies which may be available in other exporting countries and probable takings by importing countries indicate that exports from the United States may total at least 450 million bushels. On the basis of these estimates the carry-over July 1, 1949 would be about 275 million bushels, compared with the 1932-41 average of 235 million bushels.

The Canadian crop is now estimated at 372 million bushels, compared with 341 million bushels in 1947 and 312 million, the prewar average.

On the basis of tentative figures on production, world supplies available for export in the year beginning July 1, 1948 may total about 900 million bushels (of which 450 million bushels would be from the U.S.), This is 35 million bushels less than total exports in 1947-48. The current total includes an estimate of 50 million bushels from countries other than the 4 principal exporters. Roughly, two-thirds of the total probably would go to European countries participating in the ERP. This, plus currently estimated domestic production, would provide a per capita consumption of wheat alone approaching prewar levels, without any increase in stocks. These countries have a low reserve of all food products, and there is continued need for using food grains as a substitute for other foods which are short.

FRUIT

Primarily because of smaller production, prices that growers will receive for fresh deciduous fruit this fall are expected to average a little higher than last fall. Less-than-seasonal declines in prices seem probable as harvesting reaches a peak in late summer. Although prices this fall will be much lower than in 1943-46 they still will average nearly twice those of 1935-39. Demand for fruit for processing is not quite as strong as a year ago.

Although prices received by growers for peaches declined seasonally in August as marketings increased, they averaged considerably higher than a year earlier. Prices for the 1948 crop, which is 15 percent smaller than the large 1947 crop, are expected to average moderately higher than last year. Although total peach production is down this year, the California clingstone peach crop, which is used mostly for canning, is slightly larger than the 1947 crop.

Mid-August grower prices for apples averaged moderately higher than in August 1947, while prices for pears averaged considerably higher. Demand for pears for canning is especially strong this summer. Prices of apples and pears are expected to decline slightly as harvesting mounts in September, but the average for the season probably will be higher than last year when the crops were larger.

Demand for table grapes so far this season has been moderately stronger than in the early part of the 1947 season and prices have averaged higher. With wine stocks down moderately from a year ago, demand for grapes for crushing may be stronger than that for 1947-crop grapes. Fewer grapes than last year may be dried into raisins, and total dried fruit production probably will be somewhat smaller than in 1947.

Prices for California Valencia oranges on the New York and Chicago auction markets have been generally higher this July than last, but in mid-August they were about the same. With supplies moderately smaller than a year earlier, such prices are expected to be somewhat higher in September than a year earlier, when they declined. Lemons are expected to continue plentiful at prices moderately lower than last summer.

TRUCK CROPS

For Fresh Market

The index of prices received by farmers for fresh market truck crops is expected to decline to its seasonal low point in September and may be slightly below September 1947. The index is expected to rise again in October but considerably less than it did in the fall of 1947.

Early summer supplies of commercial truck crops for fresh market were 12 percent smaller than in 1947 but 2 percent above the 1937-46 average. Mid-summer and late-summer supplies are slightly larger than those of a year earlier, as well as somewhat larger than average. The commercial summer crops of green peas and watermelons this year are much smaller than last year and are also smaller than average. All other fresh market crops for the summer season, however, are either larger than last year or larger than average. As usual, the bulk of the summer tonnage is coming from onions, watermelons, cantaloups, tomatoes, cabbage, lettuce and sweet corn. Compared with last summer, however, relative increases in supply are largest for cauliflower, celery and carrots.

For Processing

Production of sweet corn, snap beans, green lima beans, beets and cabbage for commercial processing is expected to be larger this year than last but the prospective processing crops of peas, tomatoes, and pimientos are smaller.

Except for canned sweet corn, green peas, and "whole" tomatoes, and frozen green peas and green lima beans, wholesale stocks of the major items of canned and frozen vegetables are considerably smaller than a year earlier. Prices received by farmers for truck crops produced for

commercial processing will not be reported until December. In years past, the acreage of such crops has usually directly reflected the level of prices paid by processors. Since acreages of most processing crops are reasonably well sustained this year, it appears that prices to farmers for such crops probably also compare favorably with those received last year.

POTATOES AND SWEETPOTATOES

With the total 1948 crop of potatoes now expected to be around 400 million bushels, prices received by farmers probably will not rise much above support levels for the rest of the 1948 crop marketing season. Through August 12, more than 16 million bushels of potatoes had been handled under the Government's surplus removal program, and further large operations are expected.

The Agricultural Act of 1948 extends support of potato prices at the minimum level of 90 percent of parity until the entire 1948 crop has been marketed. In all areas having late potatoes, price support operations will continue until about April 30, 1949. The exact date will be set for each State according to prevailing conditions. As in former years, price-support operations will include purchase, diversion, and export operations, as well as loans. Participation in the loan program will be wholly voluntary and will not affect a grower's eligibility for other price support.

Although prospects for the 1948 sweetpotato crop have improved appreciably in the last month, the crop will be about 10 percent smaller than last year and 20 percent smaller than average. Except for 1940, this year's prospective crop is the smallest since 1925.

For the sweetpotato crop, growers probably will receive a higher season average price than for the 1947 crop, and prices should be above support levels during most of the season. However, if growers attempt to dig and market their crop too quickly, some price support purchases may be necessary.

The sweetpotato price support program announced for the 1948 crop differs somewhat from the program for the 1947 crop. Adjustments have been made for the rise in the parity level, of course. Also, the Golden, Jersey, Triumph and other similar varieties will be supported at lower prices than the Porto Rican and Nancy Hall varieties. New containers will be required for sweetpotatoes eligible for price-support, and a price differential of 5 cents per bushel is established for washed sweetpotatoes over unwashed ones. Disposition of any sweetpotatoes bought by the Department for price-support may include later resale into commercial channels, as well as the usual outlets outside of normal commercial channels.

COTTON

In mid-August cotton prices on a farm basis were above support levels but slightly below parity for the first time in over 3 years. The average price received by farmers on August 15 was 30.41 cents per pound or 98 percent of parity compared with 33.15 cents per pound or 114 percent of parity on August 15, 1947.

On August 27, Middling 15/16" in the ten spot markets averaged 30.78 cents per pound, 5.47 cents below the prices of 2 months earlier. Prices declined from the previous day on 35 of the 44 trading days during those 2 months. Chief factors in the decline were: 1. smaller cotton exports financed under ECA than had been expected, 2. prospects for a carry-over well over 500,000 bales larger than a year earlier, 3. prospects for an unusually large crop in 1948, and 4. decreasing takings for both spot cotton and textiles.

During the recent decline of prices of American cotton, prices of most foreign cottons remained firm or increased. Consequently, most foreign cottons are higher in relation to American cotton than in any recent months, while some foreign cottons are higher than at any time since the entry of the United States into World War II. Middling 15/16" at New Orleans averaged 33.70 cents per pound in July, 1/3 of a cent less than in August 1947. During the same period Type 5 at Sao Paulo, Brazil increased 5.38 cents per pound to 30.96 in July, while Jarilla Fine at Bombay, India increased 8.92 cents per pound to 25.47 in July. Prices of Egyptian cottons at Alexandria, Egypt, however, made the most spectacular advances.

Domestic consumption of cotton exceeded 9.3 million bales in 1947-48 while exports at about 2.0 million bales were lower than in any peacetime year since 1871.

The 1948 cotton crop was estimated as of August 1 at 15,169,000 bales, 500 pounds, gross weight (14,808,000 running bales) about 3.3 million larger than last year's and the seventh largest on record.

Rayon deliveries are expected to exceed 1 billion pounds in calendar 1948 for the first time in any 12-month period. This quantity of rayon is equivalent to about 2,350,000 bales of cotton. During January-June, monthly average rayon deliveries increased 12.5 percent over the 1947 average and comprised 18.0 percent of the total rayon-cotton consumption. In 1935-39, rayon deliveries averaged only 8.7 percent of the two-fiber total.

WOOL

As of mid-August, prices of apparel wool in both domestic and foreign markets showed little change from the previous month. Fine Australia good top-making wool was quoted at \$1.82, clean basis, in bond at Boston for the week ending August 13, the same as in July. Strong

demand for wool and short supply of the better qualities brought higher average prices to farmers. The July average was 49.0 cents per pound, 7.7 cents higher than a year earlier.

Shorn wool production for 1948 is now estimated at 237.3 million pounds, grease shorn basis. This is 15.5 million pounds or 6 percent less than in 1947 and the smallest production since 1923.

During June, Commodity Credit Corporation holdings were reduced from 239.7 to 176.8 million pounds, grease basis. On June 30, fine and half-blood wools constituted only 21 percent of total CCC stocks compared with 33 percent a month earlier and 49 percent on December 31, 1947.

During the first six months of this year, imports of apparel wool (dutiable) for consumption totaled 266 million pounds, actual weight basis, 16 million pounds less than during the same period last year. Imports of carpet wool (duty free) during the same period, however, totaled 193 million pounds, an increase of 97.3 percent over a year earlier.

During January-June, domestic mills consumed 521.6 million pounds, grease basis, of apparel wool, consisting of 255.6 million pounds of domestic and 266.0 million pounds of foreign wool. During this period, the average weekly rate of consumption, scoured basis, was 4 percent below the rate for the same period in 1947.

TOBACCO

Flue-cured auctions in South Carolina and Border North Carolina, type 13, and those in Eastern North Carolina, type 12, are in full swing. The type 13 average price for August was 53 cents per pound, 16 percent above the average for the same period last season. By late August Type 12 sales had been running for 2 weeks with prices averaging 49 cents per pound, 14 percent higher than early season prices last year. The Georgia and Florida, type 14, auctions closed August 31. Type 14 prices for the 1948 season averaged 24 percent above last season.

Demand is expected to continue strong for this year's flue-cured crop which is 24 percent smaller than last season. Domestic use in cigarettes was a near record during the past year. Cigarette manufacture of 380 billion for July 1947-June 1948 was a new record, nearly 19 billion above that of last year. Exports of flue-cured fell sharply during 1947-48 but will be larger in 1948-49 as Economic Cooperation Administration assistance to foreign countries increases.

The manufacture of smoking tobacco during the second quarter of 1948 was about 10 percent above the same quarter in 1947. This probably indicates a somewhat greater use in pipe smoking and roll-your-own cigarettes. Smoking tobacco costs less than the equivalent in manufactured cigarettes or cigars. Burley is used in both cigarettes and smoking tobacco. Burley production on August 1 was indicated at 494 million pounds--10 million larger than the 1947 crop. Total supply for October 1948-September 1949 will be moderately lower than in the previous 2 years. Due to the advance in the parity index, the Burley loan rate computed on the basis of 90 percent of September 15 parity will be higher than last year's average loan rate of 40.3 cents per pound. Loan rates for fire-cured and dark air-cured tobaccos also will be higher since they are linked to the Burley loan rate.

Cigar consumption during the second quarter of 1948 was about 4 percent higher than the same quarter last year. Chewing tobacco consumption during the second quarter of 1948 was also running ahead of the second quarter of 1947, while snuff was about the same for both periods.

United States exports of unmanufactured tobacco during fiscal 1948 were 411 million pounds (declared weight) compared with 591 million in the previous year. The smaller dollar resources available to the principal importers of United States leaf largely accounted for the drop.



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